July 2020

QCAM MONTHLY

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The low volatility illusion

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FX volatility rose briefly at the start of the Corona crisis and then normalized quickly. Central banks will try to keep it that way and market participants are unlikely to bet against them. Yet, currency trends can change without a rise in volatility, while central banks may not succeed in keeping everything stable.

One feature of the Corona crisis so far is the relatively small effect on FX volatility. Actual and implied FX volatilities rose initially, but far less than during the financial crisis and declined quickly (see chart and page 8). For G10 currencies, implied volatility has already dropped below the average of the past five years. For Emerging Markets (EM) currencies, the volatility is slightly above the 5-year average.

The initial spike in volatility was primarily caused by the USD funding squeeze, which receded quickly after the US Fed provided massive liquidity injections through its market operations as well as swap lines for other central banks. Maintaining financial stability is likely to remain top priority for the US Fed and other central banks, which extends directly and indirectly to FX markets. Market participants are likely to join the central banks, for example by selling volatility, rather than fight them.

Trend changes versus volatility

However, that does not mean that FX markets are stuck in narrow trading ranges. During the EUR's rally versus the USD in 2017, for example, implied and actual volatilities both declined. Indeed, the establishment of new trends can reduce market uncertainty and, thus, lower volatility. Moreover, central banks typically try to dampen currency volatility while allowing gradual changes in currency trends. The Swiss National Bank, for example, has not resisted the move of EURCHF from 1.20 to 1.05 over the last two years, but it has tried to slow the pace and dampen the volatility.

EURUSD trend change

In our view, the most important trend change taking place now concerns the USD, especially versus the EUR. Before the Corona crisis, the USD was supported by higher interest rates and a stronger economy, which more than offset the handicap of the twin deficits. These support pillars are now gone. Which economy will ultimately emerge faster and stronger from the crisis is unclear. But the confidence that it will be the US is clearly gone, especially given the recent rebound in new Corona-virus cases.

On the monetary policy side, the Fed has signaled that it stands ready to support the recovery for as long as needed. Given the earnings, balance sheet and labor market damages as well as higher government and corporate debt levels, this could well last longer than after the financial crisis. Interest rates in the US are still a touch higher than in the Euro-area, but hedging USD exposure is no longer expensive and likely to lead to more hedging demand from Euro-area exporters and investors.

At the same time, the US continues to run a current account deficit, while the Euro-area keeps a surplus. Fiscal deficits and debt levels are soaring in both currency blocks, but faster in the US, which over time could also boost the current account deficit. The USD still retains some risk-aversion quality, but the EUR has held up well in recent weeks despite some renewed spills of market uncertainty and risk-off sentiment.

Central banks can't fix it all

Central banks have been successful in maintaining financial liquidity by drowning markets with liquidity. This has so far worked well as markets have happily taken the money to buy risky assets. However, this does not mean the risks are gone and central bank liquidity can fix all problems.

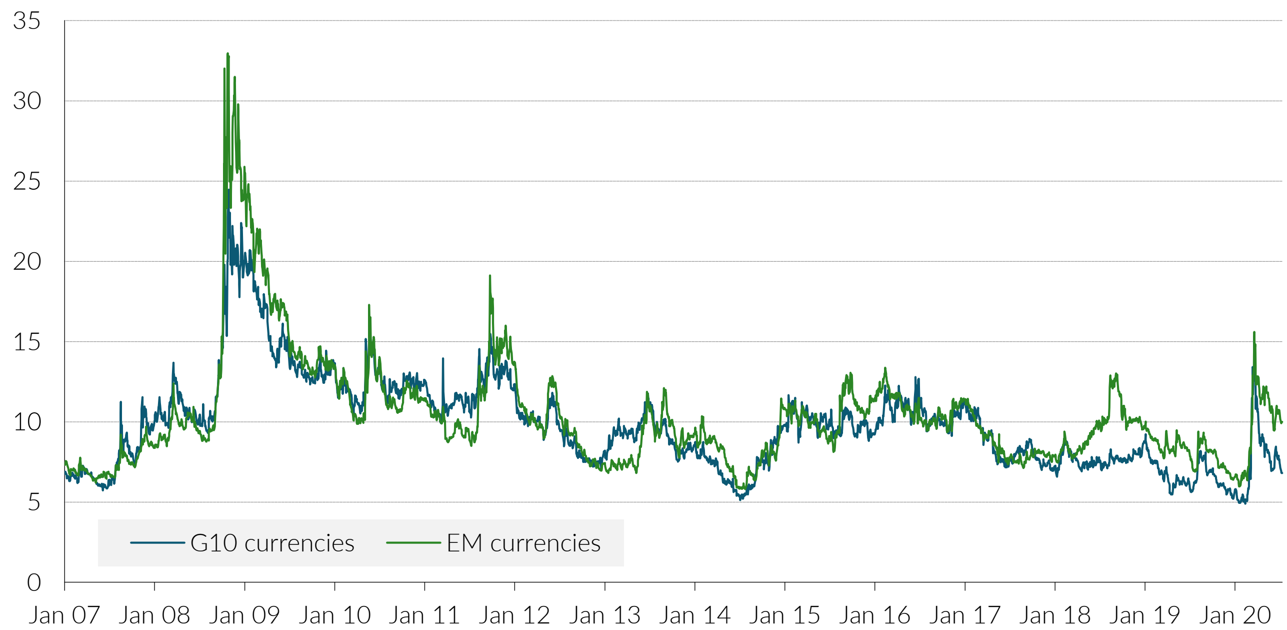
A big uncertainty remains the Corona virus itself and its impact on the economic recovery. The rally in risk assets implies that the Corona-virus will no longer be a threat in 2021 and that there will be no relapse that leads to large lockdowns. That is possible but uncertain. And even if the threat from the Corona virus continues to recede, the damage already done may be so large that the recovery takes much longer than currently expected by financial markets.

The other major area of uncertainty is politics. Much can still happen in the US campaign and the outcome of the election can create uncertainty as well. In the Euro-area, a common fiscal deal is far from assured and failure would quickly trigger a debt crisis around Italy and potentially other weak Euro members.

Central bank liquidity can cushion the potential impact of these risk factors but it cannot undue them. With interest rates close to each other among all major currencies, investors and exporters are well advised not to rely on central banks to keep currencies in narrow trading ranges but to hedge against both trend changes as well as volatility.

Implied currency volatility index

% Index



Source: JP Morgan and QCAM Currency Asset Management

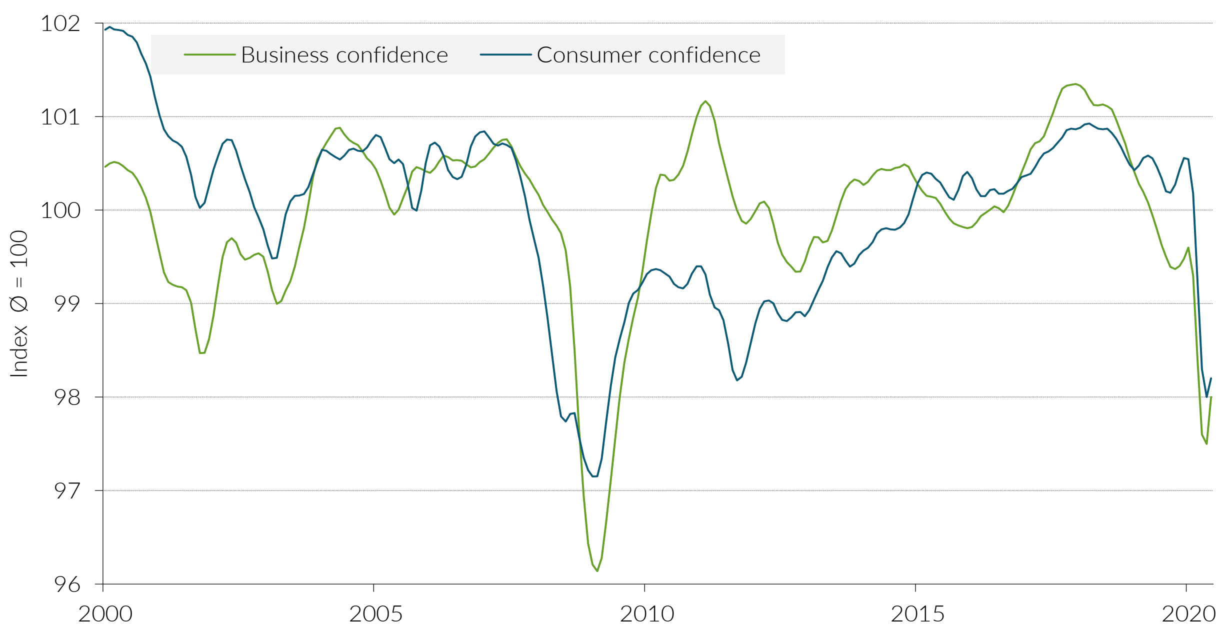
Economy & Interest Rates

Global economic activity continued to recover in June after turning in May. North Asia continues to lead the recovery followed by Europe and the USA, while other Emerging Markets, notably in South America, are lagging behind. After the initial bounce, however, the profile of the recovery is likely to become flatter as lingering virus concerns prevent a full opening up and cause general caution, while the distortions caused by the downturn, especially bankruptcies, unemployment and lower trade activity, slow the momentum. Meanwhile, estimates of fiscal deficits and public debt keep on rising.

	Real GDP growth[1]		Unemployment rate[1]		Inflation rate[1]		Current account[2]		Fiscal balance[2]		Public debt[2]	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Global	2.9	-5.0	n.a.	n.a.	3.6	2.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	1.7	-8.0	4.8	9.0	1.4	0.5	n.a.	n.a.	-3.3	-17.0	n.a.	n.a.
USA	2.3	-7.0	3.7	9.5	1.8	0.5	-2.3	-2.5	-6.3	-24.0	108.7	140.0
Canada	1.7	-9.0	5.7	9.0	1.9	1.0	-2.0	-3.0	-0.3	-13.0	88.6	110.0
Euro-area	1.3	-9.0	7.6	9.0	1.2	0.5	3.0	2.5	-0.6	-12.0	84.1	105.0
Sweden	1.2	-6.0	6.8	9.0	1.7	0.5	3.9	3.0	0.4	-10.0	34.8	45.0
Switzerland	0.9	-6.0	2.3	3.5	0.4	-0.5	12.2	10.0	0.9	-8.0	39.3	47.0
UK	1.4	-10.0	3.8	6.5	1.8	0.5	-3.8	-4.5	-2.1	-13.0	85.4	104.0
Japan	0.7	-6.0	2.4	3.0	0.5	-0.5	3.6	4.5	-3.3	-15.0	238.0	270.0
Australia	1.8	-5.0	5.2	7.5	1.6	1.0	0.6	0.0	-3.9	-9.0	45.0	58.0
Emerging	3.7	-3.0	n.a.	n.a.	5.0	3.5	n.a.	n.a.	-4.9	-11.0	n.a.	n.a.
China	6.1	1.5	3.6	4.0	2.9	2.0	1.0	1.5	-6.3	-12.0	52.0	64.0
India	4.2	-5.0	n.a.	n.a.	4.5	3.0	-1.1	0.0	-7.9	-12.0	72.2	85.0
Russia	1.3	-7.0	4.6	6.5	4.5	3.5	4.1	0.5	1.9	-6.0	13.9	19.0
Brazil	1.1	-10.0	11.9	15.0	3.7	3.0	-2.7	-2.0	-6.0	-16.0	89.5	105.0

Source: OECD, IMF World Economic Outlook and QCAM estimates 1) In percent 2) In percent of GDP

OECD business and consumer confidence



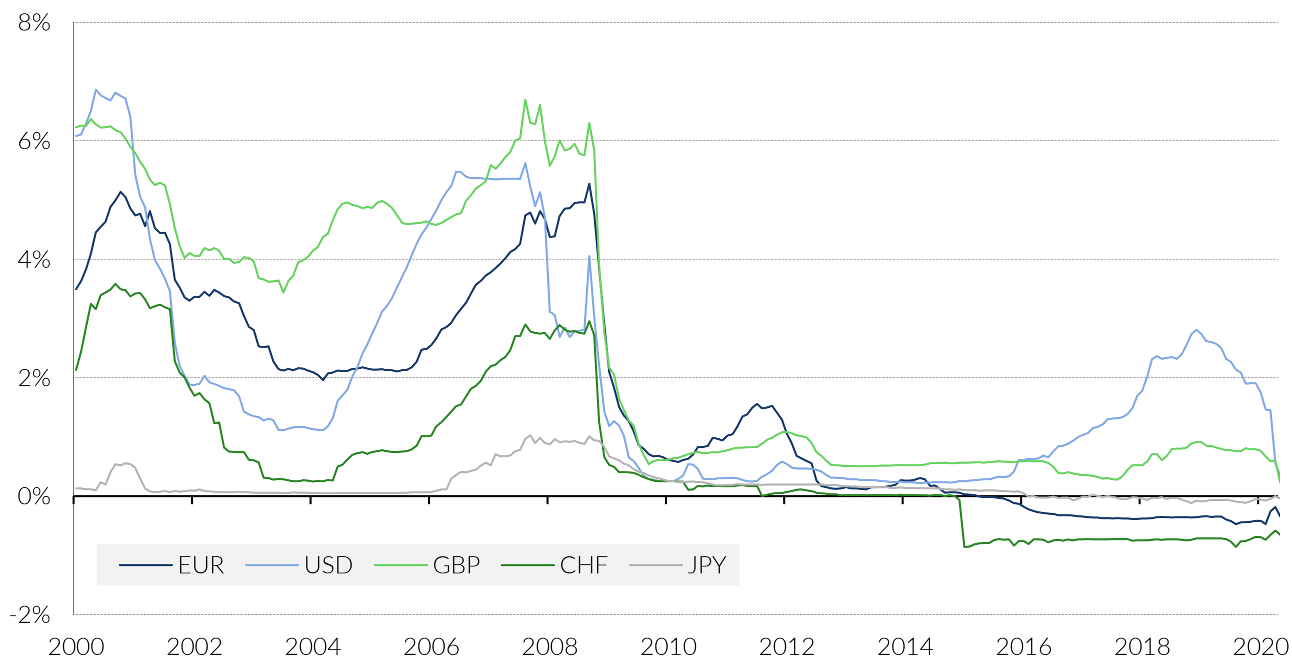
Source: OECD and QCAM, the last observations are QCAM estimates based on other surveys

Interest Rates

Interest Rate Level Overview

	Short Term Interest Rate (3month OIS)					Long Term Interest Rate (10year Swap)				
	Current	1M ago	3M ago	12M ago	Ø 3 years	Current	1M ago	3M ago	12M ago	Ø 3 years
USD	0.07%	0.08%	0.08%	2.16%	1.64%	0.64%	0.86%	0.83%	1.99%	2.22%
EUR	-0.47%	-0.47%	-0.46%	-0.41%	-0.39%	-0.17%	-0.05%	0.05%	0.10%	0.53%
JPY	-0.06%	-0.07%	-0.06%	-0.09%	-0.06%	0.04%	0.09%	0.06%	0.01%	0.16%
GBP	0.05%	0.07%	0.07%	0.69%	0.54%	0.38%	0.52%	0.65%	0.94%	1.19%
CHF	-0.71%	-0.72%	-0.70%	-0.77%	-0.75%	-0.36%	-0.29%	-0.25%	-0.36%	-0.01%
AUD	0.15%	0.15%	0.15%	0.96%	1.15%	0.83%	1.07%	1.06%	1.55%	2.16%
CAD	0.24%	0.23%	0.19%	1.75%	1.36%	1.05%	1.14%	1.27%	1.95%	2.16%
SEK	-0.03%	-0.03%	-0.06%	-0.20%	-0.33%	0.32%	0.48%	0.48%	0.51%	0.89%
RUB	4.24%	4.70%	5.89%	7.36%	7.06%	5.94%	5.98%	7.11%	8.22%	7.91%
BRL	3.65%	3.65%	3.62%	-	-	7.12%	7.47%	8.17%	7.55%	9.42%
CNY	2.35%	1.92%	1.29%	2.54%	2.75%	2.89%	2.46%	2.06%	3.09%	3.34%
TRY	7.87%	7.87%	9.45%	23.36%	17.24%	11.84%	12.24%	12.92%	16.04%	14.40%
INR	3.72%	3.84%	4.33%	5.63%	5.79%	4.67%	4.67%	5.03%	5.43%	6.13%

3-month Libor



Source: Bloomberg, QCAM Currency Asset Management, as of July 8th, 2020

FX Markets

FX Performance vs. PPP

Exchange rates have been more range-bound over the last months. Classic safe-haven currencies performed better but the USD failed to regain the lost ground versus the EUR, supporting the view that a trend change is emerging. FX volatilities continued to decline and for major currencies have come close to the levels from a year ago. PPP estimates have not changed much and deviations from PPP have not moved significantly. Essentially, the USD remains overvalued against most other currencies. The convergence of interest rates around zero is making forward hedging a more attractive strategy for any market participant.

Overview

	Current Exchange Rate	Performance[1]				Purchasing Power Parity[2]		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation[3]
EURUSD	1.129	0.55%	-0.46%	0.73%	2.62%	1.27	1.13 - 1.41	-11%
USDJPY	107.310	-1.17%	-0.38%	-1.38%	-11.55%	96.16	85.21 - 107.12	12%
GBPUSD	1.261	-4.92%	-1.05%	1.15%	-17.87%	1.58	1.40 - 1.75	-20%
EURCHF	1.062	-2.19%	-1.42%	-4.62%	1.76%	1.10	1.04 - 1.16	-3%
USDCHF	0.940	-2.70%	-0.96%	-5.32%	-0.83%	0.89	0.79 - 1.00	6%
GBPCHF	1.186	-7.50%	-2.01%	-4.23%	-18.56%	1.28	1.16 - 1.39	-7%
CHFJPY	114.122	1.56%	0.59%	4.16%	-10.81%	92.28	81.37 - 103.19	24%
AUDUSD	0.696	-0.97%	-0.10%	0.40%	-6.49%	0.81	0.71 - 0.91	-14%
USDCAD	1.358	4.62%	1.19%	3.42%	6.72%	1.21	1.12 - 1.30	12%
USDSEK	9.225	-1.34%	0.53%	-2.60%	8.39%	7.88	6.97 - 8.80	17%
EURSEK	10.415	-0.79%	0.06%	-1.89%	11.24%	8.61	8.07 - 9.15	21%
USDRUB	70.932	14.33%	3.54%	11.12%	24.14%	51.2	43.15 - 59.25	39%
USDBRL	5.348	33.05%	9.19%	40.99%	66.38%	3.17	2.61 - 3.73	69%
USDCNY	6.997	0.50%	-1.13%	1.49%	12.49%	6.27	6.08 - 6.46	12%
USDTRY	6.865	15.37%	0.93%	19.84%	156.17%	4.33	3.43 - 5.24	59%
USDINR	75.150	5.51%	-0.44%	9.58%	18.66%	68.34	63.31 - 73.38	10%

[1] Performance over the respective period of time, in percent

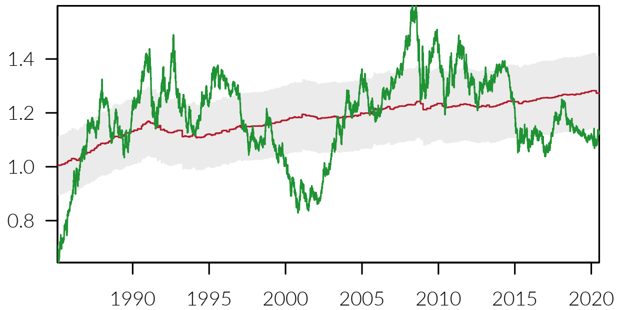
[2] Purchasing power parity (PPP) is estimated based on the relative development of inflation rates in two currency markets; the neutral range is determined by ± 1 standard deviation of the historical variation around the PPP value.

[3] Deviation of the current spot rate from PPP, in percent.

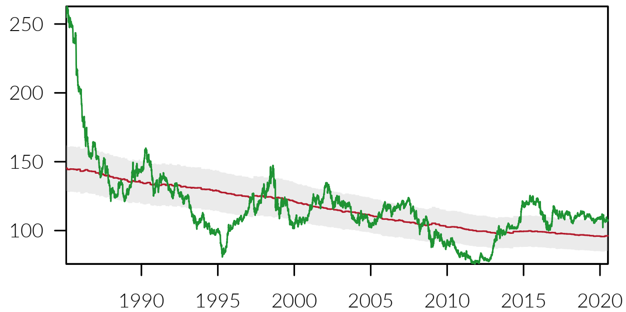
Source: Bloomberg, QCAM Currency Asset Management, as of July 8th, 2020

Purchasing Power Parity

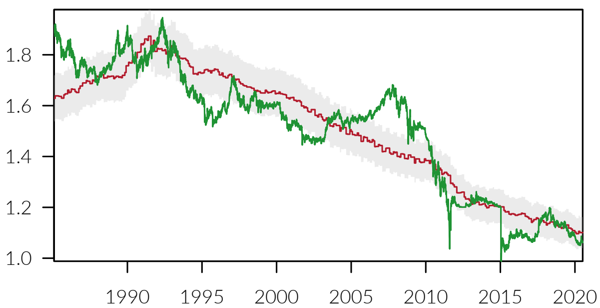
EURUSD



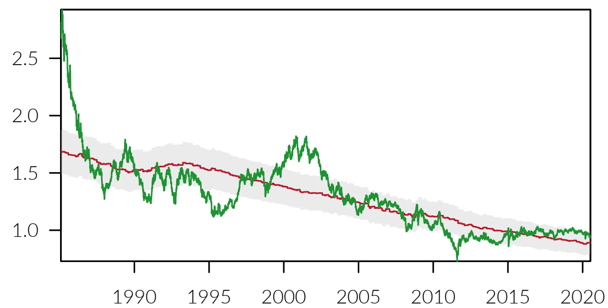
USDJPY



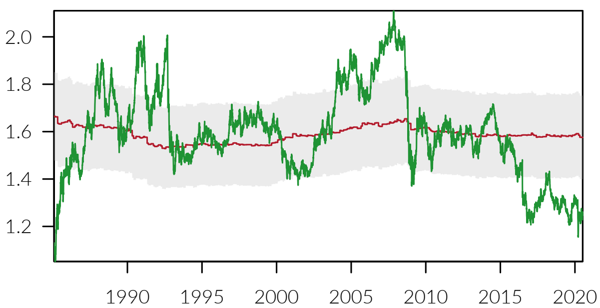
EURCHF



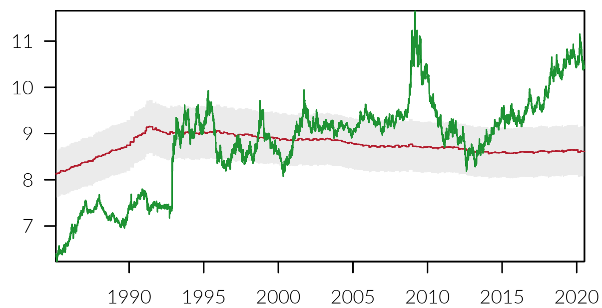
USDCHF



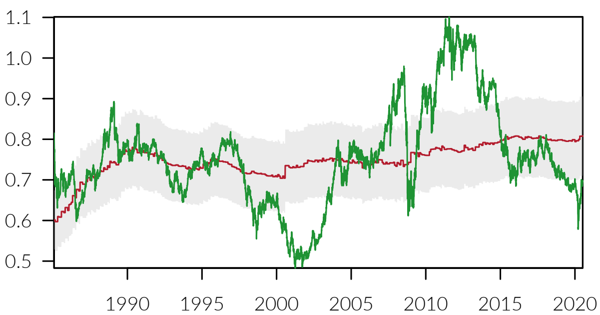
GBPUSD



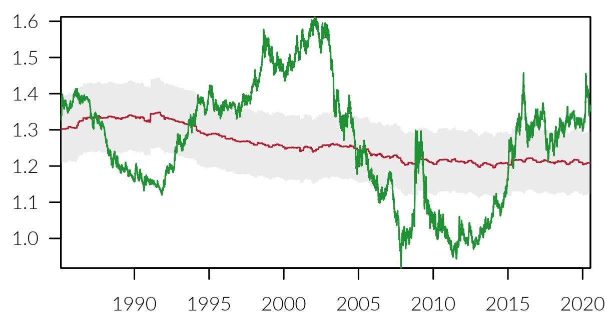
EURSEK



AUDUSD



USDCAD



PPP Spot Neutral Range

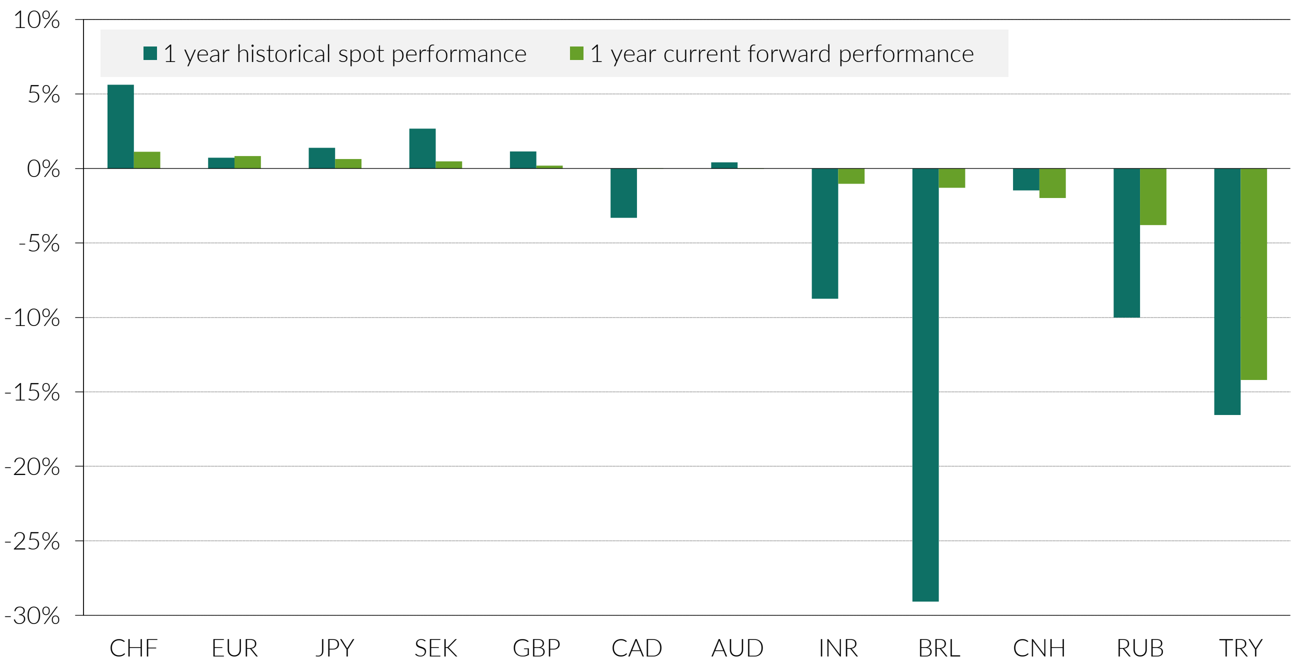
Source: Bloomberg, QCAM Currency Asset Management, as of July 8th, 2020

FX Spot vs Forwards

FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.129	1.1299	1.1314	1.1386	0.78%	0.79%	0.83%
USDJPY	107.310	107.2690	107.1754	106.6312	-0.44%	-0.49%	-0.62%
GBPUSD	1.261	1.2612	1.2616	1.2633	0.20%	0.19%	0.18%
EURCHF	1.062	1.0615	1.0610	1.0588	-0.23%	-0.24%	-0.27%
USDCHF	0.940	0.9395	0.9378	0.9299	-1.01%	-1.03%	-1.09%
GBPCHF	1.186	1.1849	1.1832	1.1747	-0.81%	-0.84%	-0.91%
CHFJPY	114.122	114.1781	114.2803	114.6672	0.57%	0.54%	0.47%
AUDUSD	0.696	0.6957	0.6958	0.6955	0.16%	0.11%	-0.02%
USDCAD	1.358	1.3576	1.3574	1.3575	-0.09%	-0.09%	-0.01%
USDSEK	9.225	9.2210	9.2138	9.1802	-0.44%	-0.45%	-0.47%
EURSEK	10.415	10.4182	10.4242	10.4523	0.34%	0.34%	0.35%
USDRUB	70.932	71.1723	71.6733	73.7283	3.93%	3.96%	3.87%
USDBRL	5.348	5.3541	5.3664	5.4178	1.41%	1.38%	1.29%
USDCNY	6.997	7.0080	7.0314	7.1382	1.89%	1.94%	2.00%
USDTRY	6.865	6.9482	7.1280	8.0002	14.14%	14.54%	16.23%
USDINR	75.150	75.9039	75.9089	75.9314	11.65%	3.95%	1.03%

Historical Spot Performance and Current Forward Performance vs. the US Dollar



Source: Bloomberg, QCAM Currency Asset Management, as of July 8th, 2020

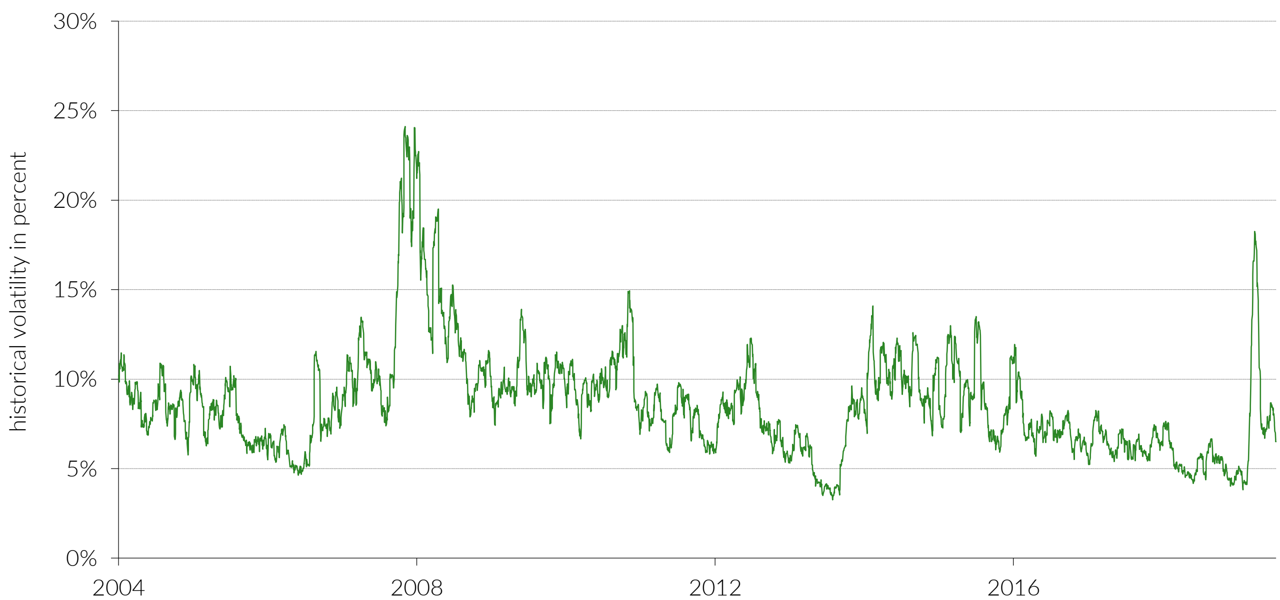
FX Volatility

Historical vs. Implied Volatility

	Current Exchange Rate	Historical Volatility [1]				Implied Volatility [2]			
		Current	1M	12M	Ø 5 years	Current	1M	12M	Ø 5 years
EURUSD	1.129	6.89%	9.79%	4.61%	7.29%	6.60%	6.65%	4.90%	7.76%
USDJPY	107.310	5.97%	10.37%	5.15%	8.28%	6.10%	6.55%	5.72%	8.64%
GBPUSD	1.261	9.48%	15.04%	5.40%	9.23%	8.43%	8.80%	7.12%	9.47%
EURCHF	1.062	4.28%	3.85%	3.81%	4.52%	5.05%	5.18%	4.13%	5.72%
USDCHF	0.940	6.85%	8.97%	6.14%	7.10%	5.93%	6.03%	5.19%	7.55%
GBPCHF	1.186	8.91%	12.14%	5.66%	8.99%	7.65%	7.98%	6.90%	9.25%
CHFJPY	114.122	6.71%	8.17%	4.76%	7.28%	6.05%	6.83%	5.28%	8.15%
AUDUSD	0.696	12.57%	17.93%	6.25%	9.26%	9.78%	11.68%	6.77%	9.47%
USDCAD	1.358	8.95%	12.01%	4.91%	7.25%	6.13%	6.83%	5.19%	7.48%
USDSEK	9.225	10.09%	14.74%	6.57%	8.85%	9.08%	9.20%	6.90%	9.22%
EURSEK	10.415	7.05%	9.46%	4.61%	5.85%	6.03%	6.58%	4.85%	6.43%
USDRUB	70.932	16.43%	26.66%	7.15%	14.24%	13.68%	13.53%	9.23%	14.38%
USDBRL	5.348	25.15%	27.37%	11.11%	14.86%	19.95%	n.a.	13.20%	15.70%
USDCNY	6.997	3.99%	5.37%	3.88%	4.58%	4.90%	5.35%	4.07%	5.44%
USDTRY	6.865	8.15%	13.41%	14.19%	14.80%	12.84%	16.27%	17.19%	15.61%
USDINR	75.150	6.59%	8.53%	4.71%	5.64%	5.88%	6.03%	5.29%	6.53%

[1] Realised 3-month volatility (annualised) [2] Market implied 3-month volatility (annualised)

QCAM Volatility Indicator[3]



[3] The QCAM volatility indicator measures general volatility in global FX markets; the indicator is based on historical volatility of the main exchange rates, which are weighted by trading volume.

Source: Bloomberg, QCAM Currency Asset Management, as of July 8th, 2020

FX Analytics

QCAM has developed an analytical framework to take scalable exchange rate positions. The QCAM exchange rate strategy for each currency pair has three principle components:

- **Macro**
- **Sentiment**
- **Technical**

The positioning signals from each component are aggregated into an overall positioning score for each currency pair. This score is used for the dynamic exposure management.

The Macro component consists typically of economic growth, balance of payments, fiscal and monetary policy and in some cases commodity fundamentals.

The Sentiment component is a rule-based framework built on economic sentiment surveys and complemented with risk sentiment estimates.

The Technical component consists primarily of the technical analysis of daily exchange rates (trend following and mean reversion). We also consider speculative futures positions and the deviation of exchange rates from purchasing power parity.

The summary table below and the following pages show the QCAM strategy framework and the positioning for the major currency pairs actively covered by QCAM. The tables break each of the three strategies into subcomponents with an indication of the current impact. The charts show the respective exchange rate with past QCAM positions and their scale.

Current positioning

The long EUR vs. USD position has strengthened as Technical joined Macro and Sentiment to support the EUR. Strategy positions in other currency pairs are more mixed and leave positions mostly closer to neutral.

Overview[1]

	Macro	Sentiment	Technical	Comment
EURUSD	+	+	+	The long EUR position rests now on all three strategy components with Technical moving last
USDJPY	0	–	0	Technical switched to neutral and shifts the overall position to a small short USD
EURCHF	+	+	–	The long EUR vs the CHF position lost support from the Technicals while the short USD vs CHF position is only supported by Macro
USDCHF	–	+	+	
GBPUSD	0	0	0	The position on the GBP have moved to neutral across all strategies
EURSEK	–	–	0	Macro and Sentiment support SEK as headwind from Technical fades
USDCAD	0	+	+	Sentiment has shifted to move the overall position to short CAD

[1] The signs relate to the first currency of the exchange rate pair

Source: QCAM Currency Asset Management

EURUSD

The EUR has held up well in recent weeks despite bouts of risk aversion, providing further evidence that a trend change is underway. The USD's support from higher interest rate and economic outperformance is gone, while the twin deficits become a larger handicap. The rebound in new virus cases may add to the USD's downside. The main risk for the EUR would be the failure to secure the €750 billion EU recovery fund.

	FX Factors	EUR Impact	Comment
Macro	Current Account Balances	+	Likely to remain stable or even improve a bit
	Fiscal Balances	+	US deficits to widen faster than Euro-area deficits
	Interest Rate Differentials	0	USD-EUR rate differential to remain small
	Oil prices	0	Oil prices seen in range after recent recovery
Sentiment	Economic Sentiment	+	Euro-area surveys are weaker but relative change is USD negative
	Risk Sentiment	0	There are uncertainties on both sides (e.g. US elections and the Euro-area debt situation) but the USD's safe-haven quality is fading
Technical	Price Action	+	Price developments became EUR positive
	Spec Positions	–	Long EUR positions create headwinds
	PPP Valuation	+	EUR undervaluation not a strong short-term driver

EURUSD and QCAM Strategic Positioning

Source: Bloomberg, QCAM Currency Asset Management

USDJPY

The JPY continues to be favored by most factors versus the USD, notably the balance of payments and valuation. However, it has been rangebound between roughly 107 and 108 during recent weeks as risk sentiment moved up and down. Even though we expect the better fundamentals and safe-haven status of the JPY and an overall shift toward a weaker USD to be the prevailing forces that strengthen the JPY over time.

	FX Factors	JPY Impact	Comment
Macro	Current Account Balances	+	Surplus lower on declining trade
	FDI Flows	+	Net outflows have delined sharply offsetting reduction in current account surplus
	Interest Rate Differentials	0	The drop in interest rate differentials has almost eliminated carry opportunities
Sentiment	Economic Sentiment	+	Latest surveys show less pessimism in Japan
	Risk Sentiment	+	Uncertainty continues to undermine carry appetite
Technical	Price Action	0	Price action has stabilized without clear trend
	Spec Positions	0	Only small net long JPY positions
	PPP Valuation	+	JPY undervaluation unlikely to reverse quickly

USDJPY and QCAM Strategic Positioning

Source: Bloomberg, QCAM Currency Asset Management

EURCHF

EURCHF upside momentum seems to be lost and the pair remains at the lower end of this years trading range. We expect the SNB to remain vigilant and actively intervene, in case of another attempt below 1.05.

Our positiv EURCHF Macro call is unchanged, as we expect European leaders to finally agree to a joint recovery program, accompanied by strong ECB policy support.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	0	Inflows easing on reduced Euro concern
	Interest Rate Differentials	0	No significant change expected
	SNB Policy Intervention	–	SNB intervention to slow CHF appreciation, if we get close to 1.05 again
Sentiment	Economic Momentum	0	Mixed signals from recent surveys. Divergence from the Eurozone not notable.
	Risk Factors	–	Sentiment shifted in favour of the Euro in expectation of EU recovery fund deal
Technical	Price Action	0	EUR upside momentum lost, slowly grinding towards the SNBs red-line-zone.
	Spec Positions	0	Close to neutral
	PPP Valuation	–	CHF unlikely to correct overvalued position significantly soon

EURCHF and QCAM Strategic Positioning

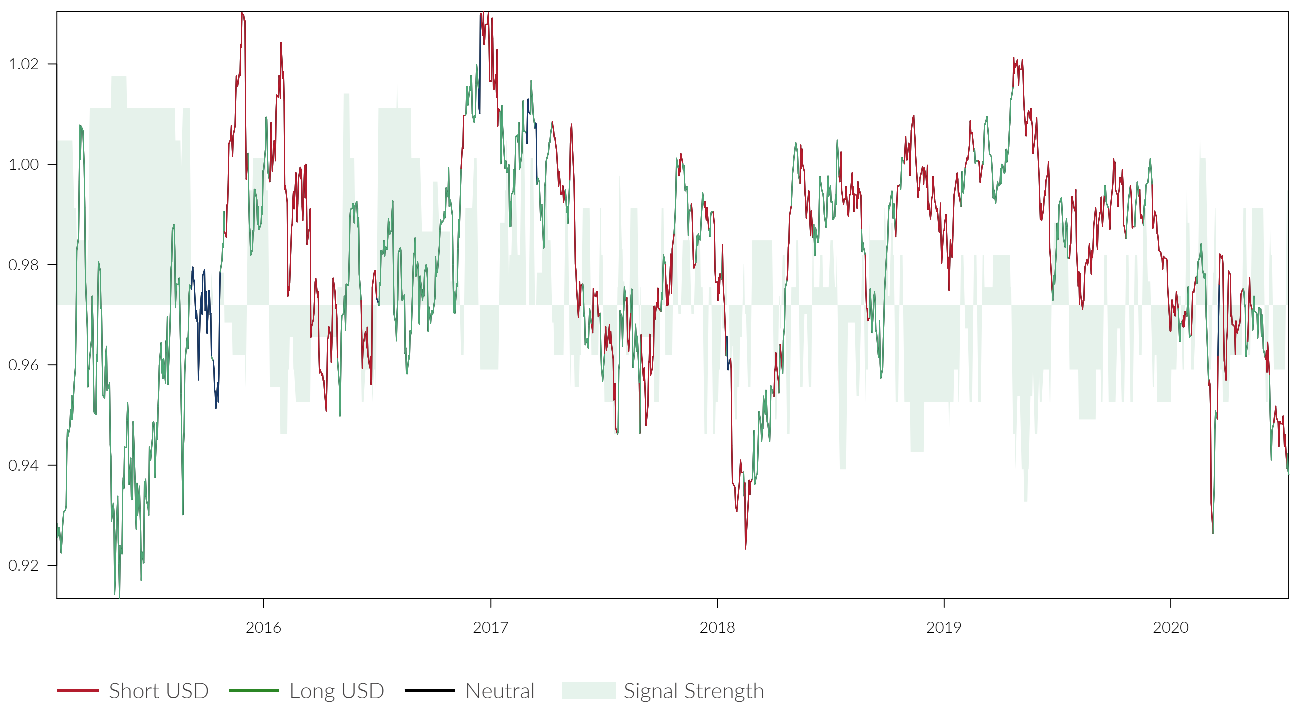
Source: Bloomberg, QCAM Currency Asset Management

USDCHF

We continue to expect the Swiss franc to outperformane on the back of the FEDs reflationary policy and the expected prolonged period of very low US interest rates. Uncertainty around the US election and the deteriorating COVID 19 impact in some of the large US States should support that trend.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	0	No impact as long as markets remain in risk-on mode
	Interest Rate Differentials	+	Substantially reduced differential will weigh on bond market flows and increase USD hedging
	SNB Policy Intervention	0	SNB not expected to intervene vs. USD
Sentiment	Economic Momentum	–	Mixed signals from recent surveys. Swiss economic recovery trailed others in June.
	Risk Factors	0	CHF to benefit only, if risk-off conditions return
Technical	Price Action	+	The CHF rally has crossed the mean-reversion resistance level
	Spec Positions	+	Modestly long CHF positions likely to increase, if USD continues to trend lower
	PPP Valuation	+	CHF to correct undervalued position medium term

USDCHF and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

QCAM Currency Asset Management

GBPUSD

The GBP position is largely neutral. However, a slower recovery from the corona crisis, a persistent current account deficit, the possibility that policy rates move negative, a surging fiscal deficit and the risk that a free-trade deal with the EU may fail leave the GBP vulnerable. The GBP should underperform in any return to risk aversion.

	FX Factors	GBP Impact	Comment
Macro	Current Account Balances	–	Persistent twin deficit unlikely to change
	Interest Rate Differentials	0	USD and GBP interest rates are about equal
	Oil Price	0	The lift from the recent oil price recovery is expected to stall
Sentiment	Economic Sentiment	0	Although surveys have switched to neutral, the UK economy is at risk to underperform also due to final BREXIT outcome
	Risk Sentiment	–	Growing risk that a free-trade deal with the EU could fail
Technical	Price Action	0	Technicals have stabilized after strong price swings
	Spec Positions	0	Net positions are close to flat
	PPP Valuation	+	Unlikely to mean revert soon, PPP trend may deteriorate as well

GBPUSD and QCAM Strategic Positioning

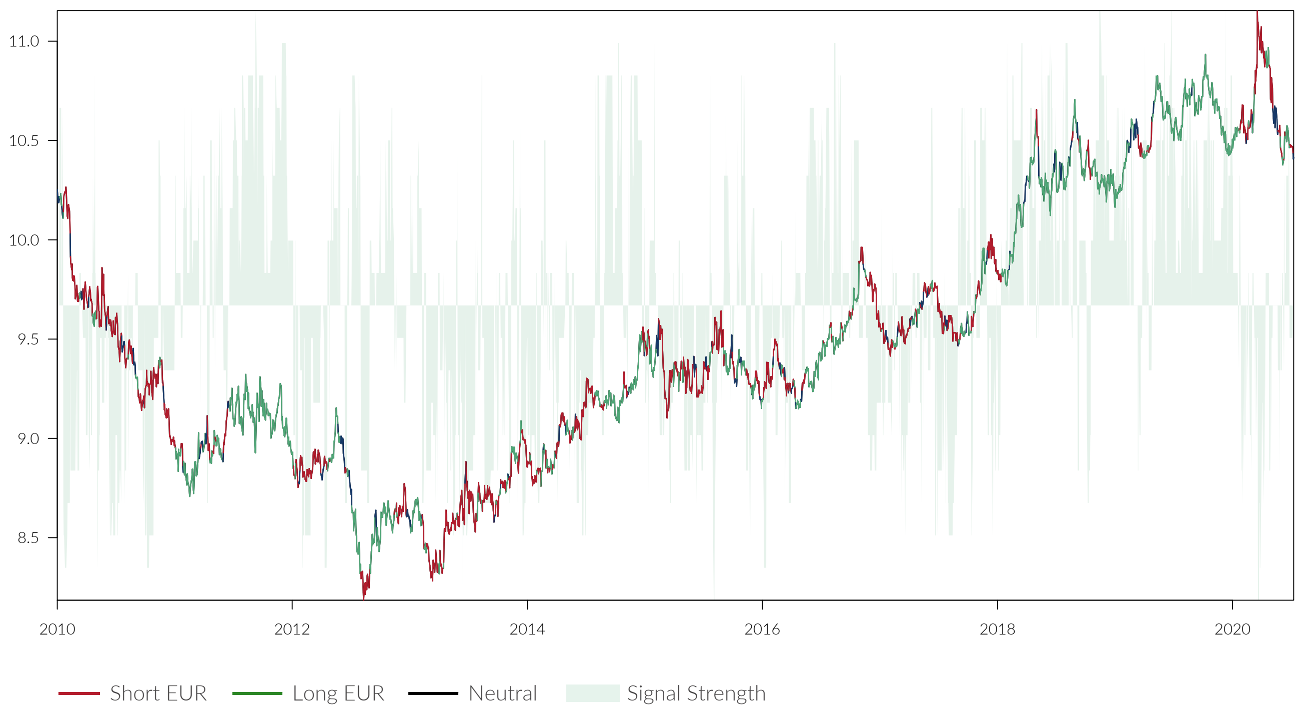
Source: Bloomberg, QCAM Currency Asset Management

EURSEK

The SEK rally has stalled over the last months. However, Sweden's less restrictive response to the Corona crisis has not become an ideosyncratic risk issue, while the economy has suffered less. Market sentiment is fickle but we believe Sweden is now positioned to emerge faster from the crisis as the global recovery unfolds. Macro and Sentiment positions are long SEK with Technical at neutral.

	FX Factors	SEK Impact	Comment
Macro	Current Account Balances	0	Positive, but similar to Euro-Zone
	Interest Rate Differentials	+	The SEK's rate advantage i small but a return to negative rates by the Riksbank is not expected
Sentiment	Economic Momentum	+	SEK surveys are better than EUR surveys
	Risk Factors	0	Sweden's different approach to the corona crisis has allowed the economy to stay more open but at the expense of more casualties
Technical	Price Action	0	Technicals have move from SEK negative to neutral
	PPP Valuation	+	SEK undervaluation unlikely to reverse quickly

EURSEK and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

USDCAD

The oil price recovery supported the Canadian economy and the CAD, but is expected to fade. Canada trails the US in the latest economic sentiment survey. Technical factors point to a negative trend for the CAD, but with decreasing signal strength. With our Macro view on neutral, the overall CAD position is slightly short versus the USD.

	FX Factors	CAD Impact	Comment
Macro	Current Account Balances	0	Canada's current account deficit moves similar to the US current account deficit
	Oil Prices	0	Oil price recovery expected to stall
	Interest Rate Differentials	0	USD and CAD interest rates likely to stay close together
	USD DXY Trend	+	USD weakness could gain momentum
Sentiment	Economic Sentiment	–	Bussiness confidence recovered for both economies significantly with the US topping the Canadian economy
	Risk Sentiment	0	No specific Canadian risks, global risk factors dominating
Technical	Price Action	–	Long-term trend still pointing to CAD weakness
	Spec Positions	0	Short CAD position reduced but still present
	PPP Valuation	+	CAD undervaluation unlikely to correct quickly

USDCAD and QCAM Strategic Positioning

Source: Bloomberg, QCAM Currency Asset Management

QCAM
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QCAM Products and Services

Our edge derives from a focus on professional currency management, the absolute transparency and the careful examination of risk. It is our mission to offer our clients innovative transparent solutions, in a thoughtful and risk-controlled environment, and to surpass investment goals.

Currency Overlay

Risks under control – opportunities in sight: QCAM Currency Overlay offers customised solutions for individual needs and investment goals. Our Passive Overlay focuses on risk management, reduction of transaction costs and the customer specific management of resulting cash flows.
Our Dynamic Overlay aims to generate returns based on QCAM´s proprietary FX Analytics, embedded in a strict risk budgeting framework.

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Optimized Liquidity Management

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QCAM Profile

About us

QCAM Currency Asset Management AG is an independent financial services provider with a specific focus on currency and liquidity management. QCAM brings together a team of internationally experienced Currency and Asset Management specialists, who are managing assets of institutional clients of approx. USD 5 billion.

Our core competences are Currency Overlay Services, FX Transaction Execution according to „Best Execution“ principles, Currency/CTA investments as well as Liquidity Management.

Long-standing customers of QCAM are pension funds, family offices, investment funds, companies, NGOs and HNWIs.

Headquarters

Zug, Switzerland

Founded

2005

Regulation

FINMA since 2007
SEC since 2014

Independent and Transparent

- Interests directly aligned with those of our clients
- Client focused solutions, tailored to each individuals requirements
- Independent selection of suitable external services providers
- No principal-agent conflicts
- Transparent fee model – no hidden costs
- Transparent reporting

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